

PREPARED DIRECT TESTIMONY

OF

GARY LARSEN

I.C.C. DOCKET NO. 00-588

OFFICIAL FILE

DOCKET NO. 00-0588

*Applicants*

EXHIBIT NO. 1

Witness

Date 3/15/01

Reported

TR

1. Q. Please state your name and business address.
- A. My name is Gary Larsen. My business address is 200 North Raddant Road, Batavia, Illinois 60510.
2. Q. What position do you hold with the City of Batavia?
- A. My title is Director of Public Works.
3. Q. What are the scope of your duties?
- A. I am responsible for the overall supervision and management of our Electric, Water, Street and Wastewater Departments.
4. Q. Please state briefly your educational and employment background?
- A. I am a Batavia High School graduate and have completed many technical classes and seminars in the areas of electrical and civil engineering. I have successfully completed several management training courses.

I have been employed by the City of Batavia for 27 years. I have spent nearly 20 years in the Electrical Utility field. My first 5 years, I held the title of Meter Tester. In 1979, I advanced to the level of Meter & Substation Technician. This position entailed responsibility for complete maintenance and testing of all the electrical substations and related equipment. In 1984, I successfully completed my Journeyman Lineman's test and was certified by the International Brotherhood of Electrical Workers. I was promoted to the position of Assistant to the Superintendent of Electric in 1987, and in the following year appointed by the Mayor to Superintendent of Electric. For the next 5 years, I was responsible for the supervision and management of our Electric Utility. In 1993, I was promoted to my current position as Director of Public Works.

5. Q. Please describe generally the organization structure of the City of Batavia and its various departments, including its utilities.
- A. The City of Batavia is a Mayor/Aldermanic form of Government, elected every 4 years. The City Council functions as the Board of Directors of the Utilities approving the budget and all expenditures in excess of \$10,000 and approving all

contracts. They also authorize the Mayor to sign any agreements. Batavia has a Public Utilities Committee, which oversees in detail the operations of each Electric, Water, and Wastewater utility. The City has an Administrator who reports directly to the Mayor; and as Director of Public Works, I report directly to the City Administrator.

6. Q. Please describe generally the operations of Batavia's utilities.

A. The operations include electric transmission and distribution, water production, filtration, and distribution, wastewater collection and treatment. Associated administrative services include: meter reading, billing, customer service, engineering and accounting.

7. Q. How many employees are employed by Batavia's utilities?

A. The Public Works Department has roughly 55 employees who work in the Electric, Street, Water and Wastewater Departments. An additional 9 employees in the Finance and Billing Departments divide their time between Public Works and other Departments of the City. Each of the utilities has its own enterprise fund where financial activities are accounted for separately.

8. Q. What is the extent of Batavia's electric business?

A. Batavia has been in the electric business since 1891, when they first operated a 10.5 kW steam powered dynamo for street lighting. In 1922, we signed our first wholesale purchase agreement for all our power requirements and have continued that practice to the present. Our system is comprised of a 34.5 kV transmission loop, 6 substation transformers with a rating of 95,000 kW and a 12.4 distribution system. We own approximately 12.5 miles of 34.5 kV transmission line and 90 miles of 12.4 kV distribution line.

9. Q. How many customers does your electric utility serve?

A. Batavia's electric service area equals approximately 5 square miles, which includes primarily the annexed city limits. We serve over 9,500 customers in a population of 22,400 and last years peak usage was 74,000 kW.

10. Q. I show you Batavia Exhibit No. 1 and ask if you can identify this Exhibit?

A. Yes. Batavia Exhibit No. 1 is a map of the City's electric distribution areas.

11. Q. What is the extent of Batavia's water business?

- A. The City of Batavia began operating a public water supply in 1894 with a population of approximately 3,500. Since then, the population has grown to 22,400 and the water system consists of 4 deep wells, 3 shallow wells, a water treatment plant for shallow well water, 4 ground level water storage tanks, 2 elevated water storage tanks and 112 miles of water main. The system provides for normal daily demands as well as required available fire flows.
12. Q. How many customers does your water utility serve?
- A. Batavia's water system serves approximately 7,500 customers within the annexed city limits. Water sales have averaged 2.49 MGD with total sales for the year at 907.6 MG.
13. Q. What is the extent of Batavia's waste water business?
- A. The existing wastewater treatment facility is located along the west bank of the Fox River. The current plant capacity is 3.58 MGD and the process is standard activated sludge with primary and secondary clarification. The collection system is essentially gravity type with 15 pumping stations. A planned expansion of the plant is expected to begin in 2000 and will also add nitrification to the process.
14. Q. How many customers does your wastewater utility serve?
- A. Batavia's wastewater system services approximately 7,500 customers within the annexed city limits. The treatment facility receives an average flow of 2.98 MGD and the solids removal efficiencies are in excess of 96%.
15. Q. What accounting procedures are in place for the City of Batavia and for the separate business operations thereof, including its utilities?
- A. The financial statements of the City of Batavia are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. All of our utilities are established as enterprise funds and are therefore operated as individual financial entities of the City.
16. Q. I show you Batavia Exhibit No. 2 and ask if you can identify this Exhibit?
- A. Yes. Exhibit 2 is our financial exhibit showing financial information through December 31, 1999. It consists of an Income Statement, Balance Sheet and budget comparison report, all for our Electric Department.
17. Q. Based on exhibit 2, what is the financial position of the City of Batavia's Electric Department?

- A. The Electric Department has a strong financial position. It is debt free, has a good cash flow and a positive equity position.
18. Q. What is the financial position of the City as a whole and its other utilities?
- A. The City's cash position is strong in the General Fund, and both the Water and Sewer Utilities have strong debt coverage ratios.
19. Q. Does Batavia have bonds outstanding?
- A. Yes, the City of Batavia has several long-term debt requirements.
20. Q. What are the bond ratings of each issue?
- A. Batavia's bond rating is very good -- ranging from A1; Aaa. The Tax Increment Financing debt naturally is of higher risk.
21. Q. Is Batavia involved in any communications activities?
- A. The City of Batavia has implemented a city wide digital fiber optic network. The overall network will consist of approximately 18 miles of single-mode fiber optic cable, including both 96 and 24 count fiber cables. Additional connection points and nodes have been included for future development.
22. Q. What is the nature and extent of these activities?
- A. These fibers connect our electric, water, and wastewater facilities, and all the primary city buildings for both data and telecommunications. Also connected are all the existing District #101 public schools.
23. Q. Describe briefly the fiber optic project being constructed or proposed to be construction by Batavia.
- A. Batavia's system designed by the engineering firm of Burns & McDonnell, consists of an OC-3 Sonet Ring with 19 nodes in 17 locations. The OC-3 Sonet architecture will provide the redundancy required by our electric utility.
24. Q. Why did Batavia decide to install fiber optic cable?
- A. Batavia's city wide digital fiber optic network stemmed from the need for reliable broadband communications between our electric substations -- to be used by a new Supervisory Control and Data Acquisition (SCADA) system. Current technology requires higher levels of reliability than now exists in the local telephone system.
25. Q. Has the City begun construction of its fiber optic project?

- A. Yes, construction began in December 1998.
26. Q. If construction has already commenced, how far along is the project and when do you expect that it will be completed?
- A. The project was completed on schedule and ready for use in September 1999.
27. Q. I show you Batavia Exhibit No. 3 and ask if you can identify this Exhibit?
- A. Yes. Exhibit 3 is a map showing the City's fiber optic system.
28. Q. Please give us the names of the contractors who assisted or who will be assisting on the project.
- A. Aldridge Electric, 28572 N. Bradley Road, Libertyville, Illinois 60048  
Connectivity Solutions, Inc., 12540 S. Holiday Drive, Unit C, Alsip, Illinois 60803.  
Alltell Supply, 6625 The Corners Pkwy., Norcross, Georgia, 30092  
Wesco Distribution, Inc., 3654 Swenson Ave., St. Charles, Illinois 60174  
Telecom Group Inc., 1 East N.W. Highway, Suite 215, Palatine, Illinois 60067
29. Q. Please give us the name and a brief statement about the experience of the project manager.
- A. Burns and McDonnell Engineering, 9400 Ward Parkway, Kansas City, Missouri 64114. They are a national consulting firm and have been in business since 1898.
30. Q. What is the projected cost of the facilities to be constructed for this project?
- A. The completed cost of our digital fiber optic system is \$1,450,000.00. This includes all materials and labor for the installation and setup.
31. Q. Where did the money come from to construct the facilities and how is this funding structured?
- A. The money to build this system came from our Electric Reserve Fund in the way of a loan to the various City departments and Public School District.
32. Q. How will the telecommunications operations be funded?

A. The telecommunications operation will be funded with revenues derived from use by City departments and the Public School District.

33. Q. What prompted Batavia to seek certificates from the ICC in this proceeding?

A. The main reason we initiated this process was because of the participation of our Public School system. It was unclear to us that we had the authority to provide the services requested by the schools, even though they are another governmental entity. Also, we see the very real possibility that in time, several of the local parochial schools will seek interconnectivity through our system and we would like to be ready. We really do not have any other immediate plans beyond the local public entities at this time. Our plan is to first and foremost provide for the immediate needs of the City of Batavia, and then lay the groundwork that will prepare us to utilize our system when someone or some need presents itself.

34. Q. What telecommunications services do you initially plan to provide?

A. Our initial and only plans at this time are to provide internal telephone service and a wide area network for data flow between the various facilities.

35. Q. What are your long term plans as far as telecommunications services to be provided?

A. We do not have any other long term plans at this time. However, we will pursue those opportunities that present themselves, provided our current system has the capabilities.

36. Q. How will the City's new communications utility be structured and what employees and officials will be involved in its management and operation?

A. Until such time as the business expands, we intend to manage and operate the system as a part of our electric utility.

37. Q. I show you Batavia Exhibit No. 4 and ask if you can identify this Exhibit?

A. Yes. Batavia Exhibit 4 is a brief statement of the managerial and technical experience of the City's key employees responsible for the communications activities, including myself, Hank Vejoda, Superintendent of Electric, Randy Wielges, Project Engineer, and Corey Bener, Project Engineer.

38. Q. Will the City be hiring new employees to operate the new communications utility?

A. It is not our intent to hire any new employees specifically for the operation of these facilities. We feel that our current staff has the time and ability to operate this system given the limited uses presently planned.

39. Q. Have you familiarized yourself with the Commission's rules relating to telecommunications services and are you prepared to respond to questions from ICC Staff representative with respect thereto?
- A. Yes. Our attorney has advised us on which rules will apply to us and has advised us with respect to such rules. I would like to say initially that we have requested waivers of certain ICC rules and that others will not apply to us because of the limited nature of our proposed operations. As we expand our services we will work closely with our attorney and the ICC Staff to make sure we are complying with all applicable rules.
40. Q. Are you familiar with the standard questions which the ICC has posted on the ICC's internet website for Certificate case applicants?
- A. Yes.
41. Q. Will you be prepared to respond to the these questions (to the extent they are not addressed in this testimony) at the hearing in this matter?
- A. Yes I will be able to answer them or I will have another Batavia employee available who can answer the. However, I note again that given the limited nature of our proposed operations, many of those questions do not appear to apply to the City.